MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2021/2022

UIB2612 ISLAMIC BANKING AND FINANCE LAW

(All Sections / Groups)

10TH AUGUST 2022
Reading Time: 9.00 a.m. - 9.15 a.m.
Answering Time: 9.15 a.m. - 12.15 p.m.
(3 Hours 15 Minutes)

INSTRUCTIONS TO STUDENT

1. Students will have fifteen minutes during which they may read the paper and make rough notes ONLY in their question paper. Students then have the remaining THREE HOURS in which to answer the questions.

2. This Question paper consists of 3 pages with 5 Questions only.

3. Attempt **TWO (2)** questions from Part A and **ALL** questions from Part B. All questions carry equal marks and the distribution of the marks for each question is given.

4. Students are allowed to bring into the exam venue the CLEAN and ORIGINAL COPY of:

   (i) Islamic Financial and Services Act 2013; and
   (ii) Central Bank of Malaysia Act 2009.

   "Clean" is defined to include no tagging, no annotation either by the publisher or anyone else, and no erased marking. Highlighting and underlining are also prohibited.

5. Please write all your answers in the Answer Booklet provided.

PART A

ANSWER TWO (2) QUESTIONS

QUESTION 1

The adjudication of Islamic banking and finance laws in Malaysia is unique given the Malaysian parallel legal systems. Even though Islamic Banking and Finance is a branch of Islamic law, banking falls under item 7 and 8 of the Federal List of the Federal Constitution.

Based on the above, discuss the competency of court and its jurisdiction to adjudicate Islamic financial disputes and the structural problems exist within the court system. Cite the relevant provision and cases.

(Total: 25 Marks)

QUESTION 2

The term *Wadiah* is defined as empowerment to someone for keeping of someone's property explicity and implicity. It can be further divided into two (2) types, namely; *Wadiah Yad Amanah* and *Wadiah Yad Dhamanah*.

(a) Describe how the concept of *Al-Wadiah* is applied in Islamic Banking services.

(11 marks)

(b) The other types of sources of fund in IFI is the fund through Investment Deposit and Commodity Murabahah. Discuss:

i) Investment Deposit;

(7 marks)

ii) Commodity Murabahah

(7 marks)

(Total: 25 marks)

Continued...

QUESTION 3

Under Islamic Home Financing-i, the contracts are technically not loans, but "Buy and Sell" or "Joint Partnership" agreements. The Islamic Banking scholars across the region have formulated various mechanisms and instruments so as to shift the traditional interest- based loan to trade-based financing.

Discuss in detail two (2) home financing products offered by Islamic Financial Institutions in Malaysia, and how they work without having to impose interest for profit as found in Conventional Housing Loans.

(Total: 25 marks)

Continued...

PART B (COMPULSORY)

ANSWER ALL QUESTIONS

QUESTION 4

Takaful means joint guarantee whereby participants agree to mutually guarantee each other in mitigating the losses. It is a scheme based on brotherhood, solidarity and mutual assistance which provides financial aid to the participants when needed.

(a) Illustrate the permissibility of *Takaful* in Islam with reference to Shariah rulings and authorities in *Islamic Muamalat* and how prohibited elements are eliminated in its model.

(13 marks)

(b) Illustrate the following concepts of Takaful:
i. *Tabarru';* and
ii. *Taawwun;* and
iii. *Al Mudharabah* concept in Takaful.

(12 marks)

(Total: 25 marks)

QUESTION 5

"In the pre-Islamic and early Islamic era, *riba* signified the increase of money in consideration for an extension of the term of maturity of a loan. The pre-Islamic and early Islamic Arabs used to pay the money on loans and received a certain sum leaving the principal sum untouched. When the maturity date expired, they would claim the principal sum from the debtor; if it was not possible for the debtor to repay, they would increase the principal sum and extend the term"

(Abu Umar Faruq Ahmad & Ors, *Riba and Islamic Banking,* Journal of Islamic Economics, Banking and Finance)

In light of the above statement, it is understood that *riba* was held as a common practice during the *Jahiliyyah* period, before the coming of Islam.

Produce in detail how Islamic Banking practices is different from the conventional system by looking into the features and elimination of the prohibitory elements.

(Total: 25 marks)

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